



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)



Interim Report

For the six months ended 30 June 2019

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. ZHANG Jian* (*Chairman*)
 Mr. ZHANG Rizhong*
 Mr. CHU Lap Lik, Victor#
 Mr. WANG Xiaoding#
 Mr. TSE Yue Kit#
 Ms. KAN Ka Yee, Elizabeth
 (*alternate to Mr. CHU Lap Lik, Victor#*)
 Mr. KE Shifeng*
 Mr. LIU Baojie**
 Mr. TSANG Wah Kwong**
 Dr. LI Fang**

Executive Directors

* *Non-executive Directors*

** *Independent Non-executive Directors*

INVESTMENT COMMITTEE

Mr. ZHANG Jian
 Mr. ZHANG Rizhong
 Mr. CHU Lap Lik, Victor
 Mr. WANG Xiaoding
 Ms. KAN Ka Yee, Elizabeth
 (*alternate to Mr. CHU Lap Lik, Victor*)

AUDIT COMMITTEE

Mr. TSANG Wah Kwong
 Mr. LIU Baojie
 Dr. LI Fang

NOMINATION COMMITTEE

Mr. ZHANG Jian
 Mr. TSANG Wah Kwong
 Dr. LI Fang

COMPANY SECRETARY

Mr. LEUNG Chong Shun

INVESTMENT MANAGER

China Merchants China Investment Management Limited

1604-09, Three Pacific Place,
 1 Queen's Road East,
 Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Herbert Smith Freehills
 Victor Chu & Co
 Woo Kwan Lee & Lo

PRINCIPAL BANKERS

Industrial and Commercial Bank of China
 (Asia) Limited
 China Merchants Bank Co., Ltd.

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716,
 17th Floor, Hopewell Centre,
 183 Queen's Road East,
 Wan Chai,
 Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1609, Three Pacific Place,
 1 Queen's Road East,
 Hong Kong

Stock Code: 0133.HK

Website: www.cmcdi.com.hk

RESULTS

The Board of Directors of China Merchants China Direct Investments Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 June	
		2019	2018
		(<i>unaudited</i>) US\$	(<i>unaudited</i>) US\$
Net gain (loss) on financial assets at fair value through profit or loss	4	145,543,955	(62,000,711)
Investment income	5	3,587,275	10,929,348
Other gains		824,428	656,419
Administrative expenses		(6,013,878)	(7,062,792)
Profit (loss) before taxation	7	143,941,780	(57,477,736)
Taxation	8	(32,543,881)	9,962,712
Profit (loss) for the period		111,397,899	(47,515,024)
Other comprehensive expense for the period Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation to presentation currency		(2,361,607)	(7,714,655)
Total comprehensive income (expense) for the period		109,036,292	(55,229,679)
Profit (loss) for the period attributable to owners of the Company		111,397,899	(47,515,024)
Total comprehensive income (expense) for the period attributable to owners of the Company		109,036,292	(55,229,679)
Basic earnings (loss) per share	9	0.731	(0.312)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2019 <i>(unaudited)</i> US\$	31 December 2018 <i>(audited)</i> US\$
	<i>NOTES</i>		
Non-current asset			
Financial assets at fair value through profit or loss	3	698,845,479	579,151,538
Current assets			
Financial assets at fair value through profit or loss	3	51,780,955	55,058,638
Other receivables and prepayments	10	2,493,520	5,239,397
Cash and cash equivalents		75,138,064	48,450,040
		129,412,539	108,748,075
Current liabilities			
Other payables	11	27,580,090	27,620,833
Dividend payable	12	18,279,962	—
Taxation payable		66,794	396,223
		45,926,846	28,017,056
Net current assets		83,485,693	80,731,019
Total assets less current liabilities		782,331,172	659,882,557
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	16	1,171,709	1,306,574
Deferred taxation	13	115,347,965	83,520,815
		116,519,674	84,827,389
Net assets		665,811,498	575,055,168
Capital and reserves			
Share capital	14	139,348,785	139,348,785
Reserves		68,004,488	70,366,095
Retained profits		458,458,225	365,340,288
Equity attributable to owners of the Company		665,811,498	575,055,168
Net asset value per share	15	4.371	3.775

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>US\$</i>	Translation reserve <i>US\$</i>	General reserve <i>US\$</i>	Retained profits <i>US\$</i>	Equity attributable to owners of the Company <i>US\$</i>
Balance at 1 January 2019 (audited)	<u>139,348,785</u>	<u>58,862,334</u>	<u>11,503,761</u>	<u>365,340,288</u>	<u>575,055,168</u>
Profit for the period	—	—	—	111,397,899	111,397,899
Exchange difference on translation to presentation currency	—	<u>(2,361,607)</u>	—	—	<u>(2,361,607)</u>
Total comprehensive (expense) income for the period	—	<u>(2,361,607)</u>	—	111,397,899	109,036,292
2018 final and special dividends declared	—	—	—	<u>(18,279,962)</u>	<u>(18,279,962)</u>
Balance at 30 June 2019 (unaudited)	<u>139,348,785</u>	<u>56,500,727</u>	<u>11,503,761</u>	<u>458,458,225</u>	<u>665,811,498</u>
Balance at 1 January 2018 (audited)	<u>139,348,785</u>	<u>85,655,523</u>	<u>14,215,816</u>	<u>466,405,990</u>	<u>705,626,114</u>
Loss for the period	—	—	—	(47,515,024)	(47,515,024)
Exchange difference on translation to presentation currency	—	<u>(7,714,655)</u>	—	—	<u>(7,714,655)</u>
Total comprehensive expense for the period	—	<u>(7,714,655)</u>	—	(47,515,024)	(55,229,679)
2017 final dividend declared	—	—	—	<u>(9,139,981)</u>	<u>(9,139,981)</u>
Balance at 30 June 2018 (unaudited)	<u>139,348,785</u>	<u>77,940,868</u>	<u>14,215,816</u>	<u>409,750,985</u>	<u>641,256,454</u>

The general reserve represents the general reserve fund set aside by subsidiaries in accordance with relevant laws and regulations of The People's Republic of China ("PRC"), which is not available for distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	US\$	US\$
OPERATING ACTIVITIES		
Profit (loss) before taxation	143,941,780	(57,477,736)
Adjustments for:		
Interest income	(469,810)	(350,961)
Dividend income from equity investments	(3,117,465)	(10,578,387)
Net (gain) loss on financial assets at fair value through profit or loss	(145,543,955)	62,000,711
Operating cash flows before movements in working capital	(5,189,450)	(6,406,373)
Proceeds from disposal of financial assets at fair value through profit or loss	18,363,832	69,050,947
Return of capital from financial assets at fair value through profit or loss	10,816,840	2,013,331
Purchases of financial assets at fair value through profit or loss	(2,570,994)	(12,316,575)
(Increase) decrease in other receivables and prepayments	(11,210)	3,754
Decrease in other payables	(67,129)	(10,697,314)
(Decrease) increase in financial liabilities designated at fair value through profit or loss	(129,165)	80,154
Cash generated from operations	21,212,724	41,727,924
Interest received	376,242	346,425
Dividends received	5,968,120	2,977,292
Income taxes paid	(415,274)	(20,296,085)
NET CASH GENERATED FROM OPERATING ACTIVITIES	27,141,812	24,755,556
NET INCREASE IN CASH AND CASH EQUIVALENTS	27,141,812	24,755,556
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	48,450,040	47,767,265
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(453,788)	(2,284,641)
CASH AND CASH EQUIVALENTS AS AT 30 JUNE	75,138,064	70,238,180

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The financial information relating to the year ended 31 December 2018 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following amendments and interpretation to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

HK(IFRIC) - Int 23	Uncertainty over income tax treatments
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 - 2017 Cycle

The application of the above amendments to HKFRSs and interpretation in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required for the annual consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2018.

There has been no change in the risk management policies during the current interim period.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Most of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets	30 June	31 December	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	30 June	31 December	Relationship of unobservable inputs to fair value	30 June	31 December
	2019 (unaudited) US\$	2018 (audited) US\$				2019 (unaudited) Range	2018 (audited) Range		2019 (unaudited) US\$	2018 (audited) US\$
<i>Financial assets at fair value through profit or loss (FYIPL)</i>										
Listed equity securities (Note 1)	335,613,403	247,736,786	Level 1	Quoted bid prices in active market	N/A	N/A	N/A	N/A	N/A	N/A
Listed equity securities within look-up period (Note 1)	5,048,741	9,909,689	Level 3	Quoted bid prices in active market and adjusted for lack of marketability	- Discount rate for lack of marketability	5.0% - 8.7%	4.7% - 4.9%	The higher the discount rate, the lower the fair value	-32,000/ +32,000	-51,000/ +51,000
Equity securities (including equity securities traded on the National Equities Exchange and Quotations ('New Third Board') and unlisted equity securities) and unlisted preferred equity (Note 1)	266,584,788	219,314,975	Level 3	Market comparable companies	- Earnings multiples - Revenue multiples - Book value multiples - Discount rate for lack of marketability and specific risk	20.6x - 31.0x 2.7x 1.3x - 7.7x	16.6x - 42.0x 2.3x - 3.5x 1.3x - 3.2x	The higher the multiples, the higher the fair value	+26,507,000/ -26,507,000	+21,340,000/ -21,340,000
Unlisted debt investments (Notes 1 and 4)	66,862,554	76,519,700	Level 3	Discounted cash flow	- Discount rate	5.2%	5.2%	The higher the discount rate, the lower the fair value	-642,000/ +642,000	-870,000/ +870,000
Unlisted equity (Note 1)	57,321,773	62,822,008	Level 3	Fund's net asset value	Note 5	N/A	N/A	N/A	N/A	N/A
Unlisted equity securities (Note 1)	19,195,175	17,907,018	Level 3	Recent transaction price	N/A	N/A	N/A	N/A	N/A	N/A
Closing balance	<u>750,626,434</u>	<u>634,210,176</u>								

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Note 1: Financial assets at FVTPL represent those measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

Note 2: Amount represents increase(+)/decrease(-) in fair value of the financial assets if the unobservable inputs were 10% increase/decrease while all the other variables were held constant.

Note 3: The analysis of financial liabilities is set out in note 16.

Note 4: Pursuant to the agreements, the loans, subject to the fulfillment of certain precedent conditions which are not under the control of the Group, could be converted into equity interest of Rong Bao Zhai Culture Co., Ltd. and Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd., respectively. Given that the conditions are not under the control of the Group, the Directors consider that the conditions of conversion were not fulfilled as at 30 June 2019.

Note 5: The Directors determine that the fund's net asset value based on the underlying investments approximates the fair value.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values at both period or year end.

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL US\$
Balance at 1 January 2019 (audited)	386,473,390
Gains recognised in profit or loss	46,884,829
Exchange difference arising on translation to presentation currency	(917,427)
Purchases	2,570,994
Disposals	(9,181,915)
Return of capital	(10,816,840)
Balance at 30 June 2019 (unaudited)	415,013,031
Balance at 1 January 2018 (audited)	461,486,344
Losses recognised in profit or loss	(34,785,363)
Exchange difference arising on translation to presentation currency	(5,195,471)
Purchases	12,316,575
Return of capital	(2,013,331)
Transfer out of Level 3 to Level 1	(13,204,424)
Balance at 30 June 2018 (unaudited)	418,604,330

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial assets: (continued)

Of the total gains for the period included in profit or loss, gain of US\$42,618,177 (six months ended 30 June 2018: loss of US\$35,884,763) relates to financial assets at FVTPL categorised in Level 3 held at the end of the reporting period. Fair value gains or losses on financial assets at FVTPL are included in "Net gain (loss) on financial assets at fair value through profit or loss". Transfers between levels of the fair value measurement hierarchy are recognised as of the date of the event or change in circumstances that caused the transfer.

Reconciliation of fair value measurements of financial liabilities:

	Financial liabilities designated at FVTPL US\$
Balance at 1 January 2019 (audited)	1,306,574
Issuances	10,191
Redemptions	(78,380)
Change in fair value	(66,676)
	1,171,709
Balance at 30 June 2019 (unaudited)	1,171,709
Balance at 1 January 2018 (audited)	1,451,162
Issuances	110,942
Change in fair value	(221,173)
Balance at 30 June 2018 (unaudited)	1,340,931

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value measurements and valuation processes

A guideline on the fair value measurements has been applied to the regular assessment of fair value of an asset. Fair value of listed investments, except those listed on the New Third Board, is determined based on the quoted market bid prices available on the relevant exchanges. Fair value of listed investments within lock-up period is assessed based on the quoted market bid prices available on the relevant exchanges and adjusted for lack of marketability. Fair value of certain unlisted investments is arrived at by reference to their recent transaction prices. For unlisted investments and investments listed on the New Third Board with no recent transactions noted, their fair values are arrived at on the basis of valuations carried out by an independent valuer on a half-yearly basis. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges and discount rates based on market information. The valuation report prepared by the independent valuer is reported to and reviewed by the management on a half-yearly basis.

4. NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is the analysis of net gain (loss) on investments of the Group for the six months ended 30 June 2019. The amounts of realised gain (loss) represent the difference between the fair value at the beginning of the period or purchase date in the period and the disposal date of financial instruments while the amounts of unrealised gain (loss) represent the change of fair value during the period of financial instruments held by the Group as at the period end:

	Six months ended 30 June	
	2019	2018
	(unaudited)	(unaudited)
	US\$	US\$
Net gain (loss) on financial assets at FVTPL		
Listed investments		
Realised	8,272,042	6,813,386
Unrealised	95,898,625	(43,310,909)
Unlisted investments		
Unrealised	41,373,288	(25,503,188)
Total	145,543,955	(62,000,711)

5. INVESTMENT INCOME

Investment income represents the income received and receivable on investments during the period as follows:

	Six months ended 30 June	
	2019	2018
	(unaudited)	<i>(unaudited)</i>
	US\$	<i>US\$</i>
Interest income on bank deposits	469,810	350,961
Dividend income on financial assets at FVTPL	3,117,465	10,578,387
Total	3,587,275	10,929,348

6. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment, are as follows:

- (a) Financial services: investees engaged in financial services activities.
- (b) Culture, media and consumption: investees engaged in culture, media and consumption activities.
- (c) Information technology: investees engaged in information technology activities.
- (d) Energy and resources: investees engaged in energy and resources activities.

The Group also invested in manufacturing, agriculture and education activities, none of these segments met the quantitative thresholds for the reportable segments in both current and prior periods. Accordingly, these were grouped in "Others" during the current period.

Information regarding the above segments is reported below.

6. SEGMENTAL INFORMATION (CONTINUED)

The following is an analysis of the Group's reportable and operating segments for the period under review.

For the six months ended 30 June 2019

	Reportable segments					Others US\$	Total US\$
	Financial services US\$	Culture, media and consumption US\$	Information technology US\$	Energy and resources US\$	Total reportable segments US\$		
	Net gain (loss) on financial assets at FVTPL	112,855,052	20,760,479	12,665,387	1,028,801		
Dividend income on financial assets at FVTPL	2,442,686	674,779	—	—	3,117,465	—	3,117,465
Other gains	—	761,612	—	—	761,612	—	761,612
Segment profit (loss)	<u>115,297,738</u>	<u>22,196,870</u>	<u>12,665,387</u>	<u>1,028,801</u>	<u>151,188,796</u>	<u>(1,765,764)</u>	<u>149,423,032</u>
Unallocated:							
– Administrative expenses							(6,013,878)
– Interest income on bank deposits							469,810
– Other gains							62,816
Profit before taxation							<u>143,941,780</u>

6. SEGMENTAL INFORMATION (CONTINUED)

For the six months ended 30 June 2018

	Reportable segments						
	Financial services	Culture, media and consumption	Information technology	Energy and resources	Total reportable segments	Others	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net loss on financial assets at FVTPL	(26,791,809)	(19,249,979)	(7,434,691)	(6,983,227)	(60,459,706)	(1,541,005)	(62,000,711)
Dividend income on financial assets at FVTPL	8,302,212	2,204,909	71,266	—	10,578,387	—	10,578,387
Other gains	—	656,419	—	—	656,419	—	656,419
Segment loss	<u>(18,489,597)</u>	<u>(16,388,651)</u>	<u>(7,363,425)</u>	<u>(6,983,227)</u>	<u>(49,224,900)</u>	<u>(1,541,005)</u>	<u>(50,765,905)</u>
Unallocated:							
– Administrative expenses							(7,062,792)
– Interest income on bank deposits							<u>350,961</u>
Loss before taxation							<u>(57,477,736)</u>

Segment profit (loss) represents the net gain (loss) on financial assets at FVTPL including net gain (loss) on investments, the corresponding dividend income and other gains earned by each segment without allocation of central administrative expenses (including fees to China Merchants China Investment Management Limited (the “**Investment Manager**”)), interest income on bank deposits and certain other gains. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been presented in the computation of segment profit (loss).

6. SEGMENTAL INFORMATION (CONTINUED)

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	30 June 2019 (unaudited) US\$	31 December 2018 (audited) US\$ (restated)
Segment assets		
Financial services	514,091,474	406,212,808
Culture, media and consumption	144,031,077	152,030,035
Information technology	66,381,577	51,919,568
Energy and resources	2,669,207	1,656,662
Total assets for reportable segments	727,173,335	611,819,073
Others	25,732,032	27,520,691
Unallocated	75,352,651	48,559,849
Consolidated assets	828,258,018	687,899,613
Segment liabilities		
Financial services	89,856	129,624
Culture, media and consumption	513,077	612,394
Information technology	252,149	218,821
Energy and resources	53,335	33,103
Total liabilities for reportable segments	908,417	993,942
Others	4,627,119	4,683,771
Unallocated	156,910,984	107,166,732
Consolidated liabilities	162,446,520	112,844,445

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than assets of non-reportable segments, certain other receivables and prepayments, cash and cash equivalents, and all liabilities are allocated to reportable segments other than liabilities of non-reportable segments, certain other payables, dividend payable, current and deferred tax liabilities.

During the period, the Group was principally involved in investing in companies with significant business involvement in the PRC, and hence no geographical information in relation to the investing activities is presented.

7. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	(unaudited)	<i>(unaudited)</i>
	US\$	<i>US\$</i>
Profit (loss) before taxation has been arrived at after charging (crediting):		
Investment Manager's management fee (note 18(a))	5,610,708	6,380,869
Net foreign exchange (gain) loss	(62,816)	125,874

8. TAXATION

	Six months ended 30 June	
	2019	2018
	(unaudited)	<i>(unaudited)</i>
	US\$	<i>US\$</i>
The tax (charge) credit for the period comprises:		
Current tax:		
PRC Enterprise Income Tax	(86,948)	(16,024,335)
Withholding tax for distributed earnings of PRC subsidiaries	(133,246)	(401,679)
Underprovision in prior period	–	(47,589)
Deferred taxation (note 13)		
Current period	(32,323,687)	26,436,315
Total	(32,543,881)	9,962,712

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries do not have assessable profits for the periods. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

9. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	Six months ended 30 June	
	2019	2018
	(unaudited)	<i>(unaudited)</i>
Profit (loss) for the purpose of basic earnings (loss) per share (US\$)	111,397,899	(47,515,024)
Number of ordinary shares for the purpose of basic earnings (loss) per share	152,333,013	152,333,013
Basic earnings (loss) per share (US\$)	0.731	(0.312)

No diluted earnings (loss) per share for the both periods were presented as there were no potential ordinary shares outstanding during the both period ends.

10. OTHER RECEIVABLES AND PREPAYMENTS

	30 June	31 December
	2019	2018
	(unaudited)	<i>(audited)</i>
	US\$	<i>US\$</i>
Dividend receivables	2,278,932	5,129,587
Interest receivable	200,316	106,748
Other receivables and prepayments	14,272	3,062
Total	2,493,520	5,239,397

11. OTHER PAYABLES

	30 June 2019 (unaudited) US\$	31 December 2018 (audited) US\$
Partial consideration received on disposal of investment	4,363,827	4,371,139
Management fee payable	2,863,332	2,775,726
Business tax payable	19,607,487	19,607,487
Other payables	745,444	866,481
Total	<u>27,580,090</u>	<u>27,620,833</u>

12. DIVIDEND PAYABLE

A dividend payment of US\$18,279,962 (2017: US\$9,139,981), being a final dividend of US\$0.07 per share (2017: US\$0.06) and a special dividend of US\$0.05 per share (2017: Nil), totaling US\$0.12 per share (2017: US\$0.06), for the year ended 31 December 2018 was approved by the shareholders on 28 May 2019 and was subsequently paid by the Company in cash on 25 July 2019.

13. DEFERRED TAXATION

The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior periods:

	Unrealised capital gains for investments (Note) US\$	Undistributed earnings of PRC subsidiaries US\$	Total US\$
Balance at 1 January 2018 (audited)	97,975,045	24,316,433	122,291,478
Credited to profit or loss for the period	(21,135,671)	(5,300,644)	(26,436,315)
Exchange differences	(778,351)	(302,825)	(1,081,176)
Balance at 30 June 2018 (unaudited)	76,061,023	18,712,964	94,773,987
(Credited) charged to profit or loss for the period	(8,196,189)	495,690	(7,700,499)
Exchange differences	(2,689,846)	(862,827)	(3,552,673)
Balance at 31 December 2018 (audited)	65,174,988	18,345,827	83,520,815
Charged to profit or loss for the period	28,342,153	3,981,534	32,323,687
Exchange differences	(465,848)	(30,689)	(496,537)
Balance at 30 June 2019 (unaudited)	93,051,293	22,296,672	115,347,965

Note: Deferred taxation has been provided for in the condensed consolidated financial statements in respect of the unrealised capital gains for investments based on the tax rate of capital gain tax in the PRC or local income tax rate in Hong Kong or the PRC, whichever is applicable.

No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future relevant taxable profit against which the tax losses can be utilised.

14. SHARE CAPITAL OF THE COMPANY

	Number of shares	US\$
Issued and fully paid:		
At 31 December 2018, 1 January and 30 June 2019		
– Ordinary shares with no par value	152,333,013	139,348,785

15. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the following data:

	30 June 2019 (unaudited)	31 December 2018 (audited)
Net asset value (US\$)	665,811,498	575,055,168
Number of ordinary shares in issue	152,333,013	152,333,013
Net asset value per share (US\$)	4.371	3.775

16. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities designated at FVTPL as at 30 June 2019 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of certain of the Group's investments which are classified as financial assets at FVTPL categorised in Level 1 or Level 3. The classification and fair value of the Sub-participation Agreements are associated directly with these underlying investments and their valuation details are set out in note 3. As at 30 June 2019 and 31 December 2018, the financial liabilities designated at FVTPL are classified as non-current liabilities and presented in the condensed consolidated statement of financial position.

Pursuant to the Sub-participation Agreements, the participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Group's investment in the project companies that is proportional to the amount provided by the participants to the Group as a percentage of the total Group's investment in the project companies. If the Group suffers a loss from its investment in the project companies, the participants will correspondingly share a loss in the amount they provided to the Group on a pro rata basis. In general, the Sub-participation Agreements would be terminated upon the realisation of the Group's investment in the project companies. Details of the Sub-participation Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Sub-participation Scheme.

17. COMMITMENTS

At the end of the reporting period, the Group had commitments as follows:

- (a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US\$30.77 million) in total by installment into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at 30 June 2019, the Group has injected RMB158.66 million (equivalent to approximately US\$24.76 million) (31 December 2018: RMB158.66 million, equivalent to approximately US\$24.76 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current asset.
- (b) On 31 October 2014, the Group entered into a joint venture agreement in relation to Guangxi Xinhua Preschool Education Investment Corporation Limited ("**Xinhua Preschool Education**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US\$13.63 million) in total by installment into the capital of Xinhua Preschool Education in return for a 30% interest in Xinhua Preschool Education. As at 30 June 2019, the Group has injected RMB30 million (equivalent to approximately US\$4.90 million) (31 December 2018: RMB30 million, equivalent to approximately US\$4.90 million) into Xinhua Preschool Education and classified the investment as a financial asset at FVTPL under non-current asset.
- (c) On 25 April 2016, the Group entered into a joint venture agreement in relation to Yunnan Jinlanmei International Travel Investment Development Co., Ltd. ("**Jinlanmei Travel**"), pursuant to which the Group agreed to make a capital contribution of RMB20 million (equivalent to approximately US\$2.94 million) in total by installment into the capital of Jinlanmei Travel in return for a 20% interest in Jinlanmei Travel. As at 30 June 2019, the Group has injected RMB10 million (equivalent to approximately US\$1.49 million) (31 December 2018: RMB10 million, equivalent to approximately US\$1.49 million) into Jinlanmei Travel and classified the investment as a financial asset at FVTPL under non-current asset. Subsequent to the reporting period, the Group completed the remaining capital contribution of RMB10 million (equivalent to US\$1.41 million) to Jinlanmei Travel.
- (d) On 6 December 2016, the Group entered into a partnership agreement in relation to Anhui Iflytek Venture Capital LLP ("**Iflytek Venture Capital**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US\$13.30 million) in total by installment into the capital of Iflytek Venture Capital in return for a 14.95% interest in Iflytek Venture Capital. As at 30 June 2019, the Group has injected RMB76.5 million (equivalent to approximately US\$11.34 million) (31 December 2018: RMB63 million, equivalent to approximately US\$9.35 million) into Iflytek Venture Capital and classified the investment as a financial asset at FVTPL under non-current asset.

18. RELATED PARTY TRANSACTIONS

The Company has appointed the Investment Manager for managing both listed and unlisted investments. Certain Directors of the Company are also Directors and/or shareholders of the Investment Manager.

During the six months ended 30 June 2019, the Group has incurred the following related party transactions:

- (a) Management fees totaling US\$5,610,708 (six months ended 30 June 2018: US\$6,380,869) were paid or accrued to the Investment Manager. The fee is calculated based on a fixed percentage on the value of the Group's adjusted assets on a quarterly basis as stipulated in the Investment Management Agreement (Note).

The amount due to the Investment Manager included in other payables in the condensed consolidated statement of financial position as at 30 June 2019 was US\$2,863,332 (31 December 2018: US\$2,775,726). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

- (b) Securities brokerage commission fee totaling US\$7,416 (six months ended 30 June 2018: US\$20,763) was paid to a subsidiary of a substantial shareholder of the Company who has significant influence over the Company.
- (c) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. ZHANG Rizhong, Mr. WANG Xiaoding and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, as at 30 June 2019, were US\$11,926, US\$219,357 and US\$22,552, respectively (31 December 2018: US\$11,531, US\$240,737 and US\$21,367, respectively). Moreover, the financial liability of the Group with Mr. LAW Hung Kuen, Janson, a Director of the Investment Manager, was US\$15,618 (31 December 2018: US\$12,085).

Note: These related party transactions also constitute continuing connected transactions and are disclosed in accordance with Chapter 14A of the Listing Rules.

19. COMPENSATION TO KEY MANAGEMENT PERSONNEL

Other than management fees paid or accrued to the Investment Manager, there is no compensation to key management personnel for both interim periods.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 2 to 22, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 August 2019

INVESTMENT MANAGER'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "**Fund**") recorded a profit attributable to equity shareholders of US\$111.40 million for the six months ended 30 June 2019, compared to a loss attributable to equity shareholders of US\$47.52 million for the same period last year. The reversal was mainly due to a significant increase in the overall value of the financial assets at FVTPL (the "**Financial Assets**"), resulting in the recognition of a gain, rather than a loss as in the prior period. As of 30 June 2019, the net assets of the Fund (net of the final and special dividends of US\$18.28 million in aggregate for 2018 and paid in July 2019) were US\$665.81 million (31 December 2018: US\$575.06 million), with a net asset value per share of US\$4.371 (31 December 2018: US\$3.775).

The net gain on the Financial Assets for the period was US\$145.54 million, compared to a net loss of US\$62.00 million for the same period last year. The listed and unlisted investments recorded net gains of US\$104.17 million and US\$41.37 million, respectively.

Total investment income for the period decreased by 67.15% to US\$3.59 million (six months ended 30 June 2018: US\$10.93 million) as compared to the same period last year, due mainly to a decrease in dividend and distribution income from investments.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In the first half of 2019, the Fund continued to seek out and rigorously evaluate investment opportunities, and increased its investment in an existing information technology project during the period.

Pony AI Inc. ("**Pony AI**") carried out a new round of equity financing and introduced a new investor. To avoid the dilution of interest, the Fund exercised its anti-dilution rights under the relevant agreements and made a further investment of US\$0.61 million in Pony AI on 25 April 2019 so as to maintain its equity interest and certain rights (including information rights) in Pony AI as unchanged.

In addition, the Fund disposed of and exited from one investment in the period.

During the period of March to April 2019, the Fund disposed of its entire holding of 7.21 million A shares of Besttone Holding Co., Ltd. ("**Besttone**") for net proceeds of RMB125.61 million (equivalent to US\$18.69 million). The pre-tax internal rate of return to the Fund from Besttone was 11.64%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Fund's cash and cash equivalents increased by 55.09%, from US\$48.45 million at the end of last year to US\$75.14 million (representing 9.07% of the Fund's total assets) as of 30 June 2019, due mainly to proceeds from the disposal of all of the A shares of Besttone, as well as a partial return of capital from certain investments during the period.

As of 30 June 2019, the Fund had no outstanding bank loans (31 December 2018: Nil).

As of 30 June 2019, the Fund had commitments of US\$18.15 million (31 December 2018: US\$20.15 million) for investments that were approved but not yet provided for in the financial statements – specifically, for future payments related to investments in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership), Guangxi Xinhua Preschool Education Investment Corporation Limited, Yunnan Jinlanmei International Travel Investment Development Co., Ltd. and Anhui Iflytek Venture Capital LLP.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("RMB"). The conversion rate of RMB against the US dollar recorded a slight decrease of 0.17% in the first half of 2019, which had a mild negative impact on the Fund since it holds a considerable amount of assets denominated in RMB. The Fund currently does not have any foreign currency hedging policy. However, the Fund continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES

Other than a qualified accountant whose remuneration package is determined and borne by the Investment Manager, the Fund has no employees. The Investment Manager handles the portfolio and day-to-day administration of the Fund.

THE PORTFOLIO

As of 30 June 2019, the Fund's total investments amounted to US\$750.63 million. The sector distribution of investments was US\$511.82 million in financial services (representing 61.79% of the Fund's total assets), US\$144.03 million in culture, media and consumption (17.39%), US\$66.38 million in information technology (8.02%), and US\$28.40 million in other ventures (including manufacturing, energy and resources, and education, etc.) (3.43%). In addition, cash and cash equivalents were US\$75.14 million, representing 9.07% of the Fund's total assets as of 30 June 2019.

REVIEW OF INVESTMENTS

The following table shows the major investment projects held by the Fund as at 30 June 2019:

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value (US\$ million)	Percentage of total assets %	Percentage of net assets %
Financial Services:						
*1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	289	34.88	43.39
*2. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	180	21.71	27.01
*3. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	29	3.49	4.35
*4. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	12	1.43	1.78
5. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	2	0.28	0.34
Sub-total:				512	61.79	76.87
Culture, Media & Consumption:						
*6. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	41	4.95	6.15
*7. NBA China, L.P.	Beijing	Sports marketing	Unlisted	28	3.34	4.16
8. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	1	0.06	0.07
9. Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	7	0.85	1.05
10. Yunnan Jinlanmei International Travel Investment Development Co., Ltd.	Xishuangbanna, Yunnan	Travel	Unlisted	1	0.12	0.15
*11. Rong Bao Zhai Culture Co., Ltd.	Beijing	Artwork marketing	Unlisted	42	5.12	6.37
*12. Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.	Xining, Qinghai	Travel	Unlisted	24	2.95	3.68
Sub-total:				144	17.39	21.63

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value (US\$ million)	Percentage of total assets %	Percentage of net assets %
Information Technology:						
13. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	New Third Board ^{Note}	1	0.09	0.11
14. Anhui Iflytek Venture Capital LLP	Hefei, Anhui	Information technology investment	Unlisted	9	1.10	1.37
*15. Iflytek Co., Ltd.	Hefei, Anhui	Intelligent speech technology	Shenzhen Stock Exchange	33	3.97	4.94
16. Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP	Beijing	Information technology investment	Unlisted	5	0.60	0.75
17. Beijing CAS Cambrian Technology Co., Ltd.	Beijing	Artificial intelligence chips	Unlisted	3	0.47	0.58
*18. Pony AI Inc.	Fremont, California	Autonomous driving	Unlisted	15	1.79	2.23
Sub-total:				66	8.02	9.98
Others:						
(i) Manufacturing:						
19. Shenzhen Geesun Intelligent Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	3	0.32	0.39
20. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	0	0.04	0.05
21. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	11	1.35	1.68
(ii) Energy & Resources:						
22. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board ^{Note}	3	0.32	0.40
(iii) Education:						
23. Guangxi Xinhua Preschool Education Investment Corporation Limited	Nanning, Guangxi	Preschool education	Unlisted	7	0.87	1.08
Sub-total:				24	2.90	3.60
Total:				746	90.10	112.08

*** Ten largest investments of the Fund as of 30 June 2019**

Note: New Third Board means National Equities Exchange and Quotations

China Merchants Bank Co., Ltd. (“CMB”) is China’s first joint-stock commercial bank, with its headquarters in Shenzhen, Guangdong and with its shares listed on the Shanghai Stock Exchange since 2002 and on the Hong Kong Stock Exchange since 2006. As of 30 June 2019, the Fund held 55.20 million A shares of CMB, accounting for 0.219% of the total issued share capital of CMB, with a corresponding investment cost of RMB154.61 million (equivalent to US\$19.79 million). In July 2019, the Fund received a cash dividend of RMB51.88 million from CMB for 2018.

On 24 August 2019, CMB announced that its unaudited net profit for the first half of 2019 was RMB50.6 billion, up 13.08% year-over-year.

On 19 April 2019, CMB announced that it had received approval from the China Banking and Insurance Regulatory Commission (“CBIRC”) for the establishment of CMB Asset Management Co., Ltd., making it among the first batch of asset management subsidiaries of the joint-stock commercial banks to be approved. The establishment of an asset management subsidiary is an important step for CMB to take in promoting the healthy development of its asset management business. It will subject both management and operations to more stringent regulatory requirements with respect to investor protection, corporate governance and risk management, but it will also grant the new company greater flexibility when running businesses in areas such as sales management, investment scope, product design and cooperation with other institutions. Furthermore, it will permit CMB to change the legal status of its asset management business unit from a department to a legal entity and thereby separate all risks of the legal entity from the parent company — consistent with CMB’s goal of “Being trusted by our clients. Managing wealth for our clients.” Once established, CMB must apply to the CBIRC for commencement of business according to relevant requirements and procedures.

On 27 June 2019, CMB’s capital plan targets for 2019-2021 were approved by the shareholders meeting of CMB as follows: within the planning period, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and total capital adequacy ratio shall reach and be maintained at a level greater than 9.5%, 10.5% and 12.5%, respectively. Moreover, the shareholders meeting of CMB also approved and authorised the board of directors to decide in a timely manner whether to issue write-down undated capital bonds of no more than RMB50 billion or its equivalent, and to include this issuance in CMB’s other tier-one capital in accordance with applicable laws and approval by regulatory authorities and, upon the occurrence of the triggering events specified in the offering documents, to absorb the loss by means of a write-down, whether in whole or in part.

In the first half of 2019, the Fund did not dispose of any A shares of CMB.

China Credit Trust Co., Ltd. (“CCT”) was established in 1995, with its headquarters in Beijing. The principal activities of CCT are trust management, fund management, investments and loan financing. It is the first trust company with a full range of licenses for international business in the Chinese trust industry. As of 30 June 2019, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US\$50.49 million. In April 2019, CCT declared a cash dividend for 2018, and the Fund is entitled to receive a total of US\$2.14 million (pre-tax) from CCT.

For the first half of 2019, CCT recorded an unaudited net profit of RMB383 million, down 33.60% year-over-year. During the period, the company saw an increase in income from commissions and handling fees, but it was more than offset by a significant decline in interest income and investment income.

Downward pressure on China's macro economy increased in the second half of 2018 and the main theme of the Central Government's policies then shifted from "strict supervision and de-leveraging" to "steady growth and stabilising leverage." Since the first quarter of 2019, the demand for trust financing has rebounded, especially in the infrastructure sector. As of the end of the first quarter of 2019, trust assets under management by 68 trust companies nationwide totaled RMB22.54 trillion, down 0.7% as compared to the end of the fourth quarter of 2018, reflecting only a slight decline. Of these, the proportion of collective fund trusts reached 42.10%, up 1.98 percentage points as compared to the end of the fourth quarter of 2018, indicating an increase in the proportion of the active management business for trust companies.

Currently, among traditional businesses, the real estate trust business is the major source of income and profit for CCT, while the inter-financial institution business and securitised asset business also contributed to a certain extent. In order to support the continuous development of the company, CCT will strive to expedite the innovative transformation of its businesses and to focus on developing businesses such as capital markets, small and micro finance, international business and wealth management. Due to a number of factors such as increasing uncertainties in the macroeconomic environment, on-going regulation of the real estate industry, more stringent controls over the trust industry, and more intense competition resulting from the successive establishment of asset management subsidiaries by banks, 2019 may be a challenging year for CCT.

In May 2019, CCT received the "Excellent Competitiveness in terms of Wealth Management" at the 4th Global Asset Allocation Focus and "Haipai" Awards Ceremony of 2019.

In June 2019, at the 12th "Credit Trust" Awards Ceremony hosted by the Shanghai Securities News, CCT won the "Excellent Company Award" and "Best Family Trust Product," among other recognitions. This was the fourth consecutive year that CCT was presented with the "Excellent Company Award."

JIC Leasing Co., Ltd. ("JIC Leasing") was established in Beijing in 1989, and is a leading independent finance leasing firm in China, principally engaged in finance leasing for businesses in a wide range of industries, including information technology; high-end equipment manufacturing; and healthcare, environmental protection and new energy. The Fund invested RMB246 million (equivalent to US\$38.78 million) in October 2015 for a 6.46% equity interest in JIC Leasing.

In the first half of 2019, adhering to the main theme of the policy of "stabilising leverage and strict supervision," JIC Leasing continued to promote optimisation of its business structure, vigorously develop small- and medium-sized customers, and run its business in a practical manner while strictly controlling risks. Against this backdrop, JIC Leasing recorded single-digit growth in its unaudited net profit for the first half of 2019 as compared to the same period last year.

JIC Leasing submitted the materials to apply for an initial public offering (IPO) with the China Securities Regulatory Commission ("**CSRC**") in early May 2017. In March 2019, JIC Leasing completed the 2018 update to the IPO application materials, along with previously submitted responses to feedback from the CSRC, and then submitted the relevant updated materials to the CSRC as scheduled. JIC Leasing is still in queue for review by the CSRC, now among the next 20 companies to be reviewed.

China Reinsurance (Group) Corporation (“China Re”) originated from The People's Insurance Company of China, founded in 1949 as the first insurance company to be established in New China, with its headquarters in Beijing. It was listed on the Hong Kong Stock Exchange in October 2015. As currently the largest local reinsurance group in China, the business of China Re spans reinsurance, insurance, asset management, insurance brokerage, and insurance media. During the periods of November to December 2015 and of February to April 2016, respectively, the Fund acquired 67.24 million H shares of China Re at an average price of HK\$2.23 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK\$150 million (equivalent to US\$19.31 million). As of 30 June 2019, the Fund held 67.24 million H shares of China Re, accounting for 0.158% of the total issued share capital of China Re. In August 2019, the Fund received a cash dividend (net of tax) of HK\$2.13 million from China Re for 2018.

On 28 August 2019, China Re announced that its unaudited net profit for the first half of 2019 was RMB3.32 billion, up 42.44% as compared to the same period last year. The primary reasons for the increase in net profit were a rise in investment income and underwriting performance, along with the inclusion of income from a newly acquired business during the period.

China Media (Tianjin) Investment Management Co., Ltd. (“China Media Management”) was established in Tianjin, with registered capital of RMB60 million. The Fund invested RMB4.62 million (equivalent to US\$0.68 million) in April 2010 for a 7.70% equity interest in China Media Management. As the general partner and investment manager of China Media Investment (see the section on China Media Investment below), China Media Management is responsible for defining and executing the investment strategy for China Media Investment, as well as for managing their operations.

During the investment period, China Media Management helped China Media Investment to successfully invest in several benchmark projects, and to successfully dispose of the OCJ (東方購物) project and Shanghai Jade East Propagation Co., Ltd. project. In addition, it helped IMAX China Holding, Inc. (“**IMAX China**”) to successfully list on the Hong Kong Stock Exchange, and to subsequently sell all of the IMAX China shares that were held. Presently, China Media Management is actively assisting with exit arrangements for several projects, including Star China.

China Media Investment has sold its equity interest in Beijing Weiyang Technology Co., Ltd. (“**Weiyang**”) and has received the relevant consideration. However, the transaction has lapsed as it failed to complete the registration of the change in equity interest with the relevant authorities for industry and commerce within the required period, and China Media Investment is now required to refund the consideration to the buyer. The Fund has issued a letter to China Media Management in this regard and has required it to follow up the matter seriously so as to safeguard the interests of all of the limited partners of China Media Investment.

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) (“China Media Investment”) was established in Shanghai, and is the first fund in the culture and media sector approved for registration by the National Development and Reform Commission. Its total capitalisation is RMB2 billion. China Media Investment has an investment horizon of 10 years. The scope of investment for China Media Investment includes major projects in broadcasting and media publishing, animation and creative media. China Media Management, in which the Fund has an interest, is the general partner and investment manager of China Media Investment. China Media Investment has entered into the investment exit period.

In April 2010, the Fund agreed to make a capital investment of RMB200 million by installment in China Media Investment. From June 2010 through 30 June 2019, the Fund has made successive capital injections into China Media Investment for a cumulative actual investment of RMB158.66 million (equivalent to US\$24.76 million), representing 79.33% of the total investment of RMB200 million committed by the Fund.

Through the end of June 2019, the Fund has received a total actual investment return of RMB201 million from China Media Investment, representing approximately 127% of the cumulative actual amount invested by the Fund.

By the end of June 2019, China Media Investment had completed a full exit from four projects, while continuing to hold three projects, namely Star China, Shanghai Oriental DreamWorks Co., Ltd. ("**Oriental DreamWorks**") and Weijing. Of these, Shanghai Canxing Culture Media Co., Ltd., the domestic operating entity of Star China, has submitted the materials to apply for an IPO with the CSRC by the end of December 2018, and its application is in queue for review. Furthermore, China Media Investment is currently in negotiations to exit from the Oriental DreamWorks project. As for the lapsed disposal of equity interest in Weijing, please see the section on China Media Management above.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. NBA China conducts all of the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorships, events, digital media, and merchandising, among other new businesses. The original investment by the Fund in 2008 was US\$23 million, representing a 1% partnership interest in NBA China. The Fund subsequently received partial returns of capital from NBA China in 2013, 2016 and 2017, respectively, for a total amount of US\$23 million, representing a full recovery of the capital invested in NBA China by the Fund. As of 30 June 2019, the Fund held a 1% partnership interest in NBA China. The Fund received cash distribution from NBA China of US\$1.44 million in January 2019.

On 7 March 2019, NBA China and Alibaba jointly announced an expansion of their partnership by carrying out comprehensive cooperation in areas such as NBA video content, programme broadcasting, e-commerce and big data.

On 10 April 2019, the NBA, Top Sports (a leading retailer of sports equipment and sporting products in China), and Nike (an official partner of the NBA) jointly announced the official opening of the NBA Beijing Flagship Store in Wangfujing, Beijing, as the biggest NBA flagship store outside the United States.

On 15 April 2019, NBA China announced a partnership with Yingyu Lianhe Sports (a member of Waitex Group) in order to further promote the NBA-themed home entertainment centre, NBA Playzone, across the country and bring a safe, healthy and fun-filled basketball experience to young fans and their families. It is expected that there will be five new NBA Playzones opened in the next three years, with more various activities and facilities, making them the perfect family activity venue for families with young fans aged 2 to 10.

On 22 April 2019, NBA China and Dicos (a leading western fast food brand in China) jointly announced the establishment of their multi-year partnership. As an official partner of NBA China and the NBA China Game, Dicos will bring more NBA experiences to basketball fans and customers by offering NBA-themed meal sets, interior decorations and activities, such as Family Day, in its 2,500 restaurants across China.

Furthermore, two new partnerships with NBA China were announced in the first half of 2019. In April 2019, Changhong announced that it had become an official marketing partner of NBA China. Then, in June 2019, Beijing Luckin Coffee announced that it had become an official marketing partner of the 2019 NBA China Game.

Unibank Media Group Inc. (“Unibank Media”) was established in Beijing in 2011 as an operating entity following a merger and reorganisation, and is principally engaged in commercial advertising through its video display network in banking service outlets across China. The Fund made a total investment of RMB75 million (equivalent to US\$10.98 million) in one of its predecessors, Inbank Media (China) Co., Ltd. (“**Inbank Media**”), in June 2009 and February 2010, and held a 14.51% equity interest in Inbank Media. After the completion of the reorganisation as well as a capital increase by Inbank Media in 2011, the Fund held a 7.62% equity interest in Unibank Media (Note: The Fund has made a contingent commitment to transfer a 1.14% stake in Unibank Media to the management of Unibank Media, as an incentive earned upon completion of an IPO or sale of the business. The total incentive to the management of Unibank Media is a 15% stake in Unibank Media, to be transferred by all shareholders, and 1.14% is the Fund’s pro rata portion of the incentive. Net of this incentive, the Fund’s stake in Unibank Media will be 6.48%). In September 2015, certain existing shareholders of Unibank Media increased their capital position in the company by cash of RMB75 million (and the corresponding valuation of Unibank Media was approximately RMB1,071 million after the capital increase, accounting for 7% of the equity interest of Unibank Media after the capital increase, meaning that the stake of shareholders who did not participate in the capital increase was diluted by approximately 7%, accordingly). After the completion of the capital increase, the Fund’s equity interest in Unibank Media was diluted to 7.09%, accordingly, and to 6.03% net of the incentive to management as outlined above.

In the first half of 2019, no substantial improvement was recorded for Unibank Media’s business, which continues to rely primarily on orders from a single client. Despite a decrease in staffing cost and administrative expense, the company is still operating at a loss.

Oriental Pearl Media Co., Ltd. (“Oriental Pearl”) is a new operating entity formed following a merger and reorganisation with BesTV New Media Co., Ltd. (“**BesTV**”), a listed company under Shanghai Media Group Ltd. (“**SMG**”), and Shanghai Oriental Pearl (Group) Co., Ltd., formerly also a listed company, along with the injection of relevant advertising, content production and new media assets by SMG, its largest shareholder, before being renamed to Oriental Pearl from BesTV. The restructuring was completed in June 2015. Oriental Pearl will push forward with the integration and development of traditional and emerging media and become the sole resource consolidation and listing platform for SMG, as well as an all-media and whole-industry chain platform company, spanning content production, cloud services and value-added advertising services. At the same time, Oriental Pearl will draw on its media business as a foundation for growth, adopt the Internet TV business as a strategic point of entry, convert its audiences to users, cash in on data traffic, build an Internet media-based ecosystem, business model and system structure, and strive to develop into a new type of media group with the highest market value, communication capability, credibility and influence. In May 2015, the Fund invested RMB120 million (equivalent to US\$19.62 million), through a partnership entity, in Oriental Pearl for a beneficial ownership of 3.70 million A shares. As of 30 June 2019, the Fund beneficially owned a total of 4.81 million A shares of Oriental Pearl, as a result of the receipt of 1.11 million new shares via a capitalisation issue from Oriental Pearl in 2018, accounting for 0.14% of the issued share capital of Oriental Pearl. In July 2019, Oriental Pearl declared a cash dividend for 2018, and the Fund is entitled to receive a cash dividend of RMB1.30 million.

On 28 August 2019, Oriental Pearl announced that its unaudited net profit for the first half of 2019 was RMB1.07 billion, down 13.62% year-over-year.

Yunnan Jinlanmei International Travel Investment Development Co., Ltd. (“Jinlanmei Travel”) was established in Mengla County, Xishuangbanna Dai Autonomous Prefecture, Yunnan in 2016, with registered capital of RMB100 million. Based in Yunnan, Jinlanmei Travel will seek to establish a global presence and engage broadly in the operation of tourism and shipping within the territorial waters of the Lancang/Mekong River. Jinlanmei Travel was established jointly by the Fund and Shanghai-listed Yunnan Metropolitan Real Estate Development Co., Ltd., among others, with stakes of 20% and 35%, respectively. In October 2016, the Fund completed the first capital contribution of RMB10 million (equivalent to US\$1.49 million) to Jinlanmei Travel. In August 2019, according to the development progress, the Fund completed the second capital contribution of RMB10 million (equivalent to US\$1.41 million) to Jinlanmei Travel.

In the first half of 2019, Jinlanmei Travel accelerated the construction of a self-managed fleet, while actively moving forward with the construction of a 30-seat cruise ship. Presently, the sales and reception work for the first tour group on the 20/40-seat cruise ship has been completed. Jinlanmei Travel is also pushing forward with its product promotions, and has optimised and improved the details of its one-day tour products, encompassing the overall guest experience, the quality and breadth of services, and operating costs. In addition, it has actively expanded its product marketing and strengthened the promotion of its brand name. Approvals of the cruise ship terminal are nearing completion, approvals of water and soil conservation along the shoreline of the terminal have already been received, and work regarding an environmental assessment of the terminal has been recently commenced.

Rong Bao Zhai Culture Co., Ltd. (“Rong Bao Zhai Culture”) was established in Beijing in December 2015. Its main businesses include the sale of art supplies, handicrafts, calligraphy artwork, framed calligraphy artwork, and carving artwork, as well as the sponsorship of art exhibits and cultural/artistic exchange activities. In addition, Rong Bao Zhai Culture will be an important business development platform for its controlling shareholder, Rong Bao Zhai, in the future. The Fund agreed to advance cash of RMB300 million in total to Rong Bao Zhai Culture for a period of 5 years, with the right to convert the loan into an equity interest in Rong Bao Zhai Culture during the term of the loan, subject to the fulfillment of certain precedent conditions. In December 2016 and April 2017, the Fund disbursed RMB200 million (equivalent to US\$28.86 million) and RMB100 million (equivalent to US\$14.50 million), respectively, amounting to RMB300 million (equivalent to US\$43.36 million) in aggregate.

In the first half of 2019, Rong Bao Zhai Culture adhered to a path of quality development. By adapting to the characteristics of the artwork market, Rong Bao Zhai Culture is cultivating its own core calligraphers and painters in addition to the existing gallery business, with a view to increase its market influence. At the same time, Rong Bao Zhai Culture continues to push forward with its corporate restructuring, as it further standardises its corporate management process and reinforces its internal systems, established in an effort to lay the foundation for an eventual listing.

Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd. (“Qinghai Lake Tourism”) was established in Xining, Qinghai in 2008. It is a tourism operator with a focus on Qinghai Lake, a national 5A-class scenic spot, and is principally engaged in product development, business operations and provision of services related to tourism in Qinghai Lake and the surrounding regions. The Fund agreed to advance cash of RMB200 million in total to Qinghai Lake Tourism for a period of 3 years, with the right to convert the loan into an equity interest in Qinghai Lake Tourism during the term of the loan, subject to the fulfillment of certain precedent conditions. In August and September 2017, the Fund disbursed RMB50 million (equivalent to US\$7.50 million) and RMB150 million (equivalent to US\$22.93 million), respectively, amounting to RMB200 million (equivalent to US\$30.43 million) in aggregate. Pursuant to a supplemental agreement dated 9 May 2019, Qinghai Lake Tourism undertook to repay the loan of RMB190 million in aggregate to the Fund by 30 June 2019, while the Fund retains the right to recover the loan of RMB10 million from Qinghai Lake Tourism, as well as to convert an amount up to RMB200 million into shareholding in Qinghai Lake Tourism during the joint-stock restructuring of Qinghai Lake Tourism.

Currently, Qinghai Lake Tourism is in the process of implementing a restructuring plan under the guidance of intermediaries. In June 2018, the Qinghai Provincial People’s Government officially approved the spin-off of Qinghai Lake Tourism. In September 2018, Qinghai Lake Tourism obtained a new business license. After the spin-off, Qinghai Lake Tourism continues to retain core assets and related businesses, while the newly established company has taken over non-operating assets and related personnel. By the fourth quarter of 2018, Qinghai Lake Tourism had reviewed its business operations and put them in order. More recently, Qinghai Lake Tourism has also completed a review of its operations with respect to the environment and put them in order during the first half of 2019.

The Qinghai Provincial People’s Government has explicitly requested the relevant departments to begin asset divestitures and conversion to a joint-stock limited company, and to strive for the listing of Qinghai Lake Tourism as soon as possible. The Fund will consider whether suitable conditions have been achieved for the exercise of conversion rights during the joint-stock restructuring of Qinghai Lake Tourism.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise principally engaged in the research and development, and production, of intelligent online monitoring systems for transmission lines and substation equipment for the power grid. The stock of Jinpower Electrical was listed for trading on the New Third Board in January 2016. The Fund invested RMB20 million (equivalent to US\$3.03 million) in January 2011 and held 2.89 million shares in Jinpower Electrical as of 30 June 2019, accounting for 4.83% of the issued share capital of Jinpower Electrical.

On 23 August 2019, Jinpower Electrical announced that its unaudited net loss for the first half of 2019 was RMB6.36 million, which was lower than in the same period last year, due mainly to a decrease in interest payment and loss from asset impairment.

In the first half of 2019, State Grid Corporation of China actively promoted the work plan under the policy of "Three Types and Two Networks," leading to various internal adjustments within the company, given that the bidding volume for online monitoring projects had been limited, and that this in turn affected the value of new contracts entered into by Jinpower Electrical during the period. Jinpower Electrical will proactively adjust its sales strategy to overcome these challenges and strive to achieve its pre-determined annual sales target in the second half of 2019.

Anhui Iflytek Venture Capital LLP ("Iflytek Venture Capital") was established in Hefei, Anhui in December 2015, with an investment horizon of 7 to 9 years and with a fund size of RMB602 million. Its major investment targets are industries related to the Internet and applications of artificial intelligence (AI) in China, primarily to areas including education, healthcare, tourism, motor vehicles, Internet of Things (IoT), smart hardware, information security, e-commerce, interactive entertainment, smart toys, robotics and Internet advertising. The general partner and investment manager of Iflytek Venture Capital is Wuhu Iflytek Investment Management LLP, which is responsible for defining and executing the investment strategy for Iflytek Venture Capital, as well as for managing their operations. The Fund has committed to subscribe to an aggregate of RMB90 million by installment, for a 14.95% interest in Iflytek Venture Capital. In December 2016, August 2017, April 2018 and January 2019, the Fund completed capital contributions of RMB36 million (equivalent to US\$5.19 million), RMB13.50 million (equivalent to US\$2.01 million), RMB13.50 million (equivalent to US\$2.15 million) and RMB13.50 million (equivalent to US\$1.99 million) to Iflytek Venture Capital, respectively, representing an aggregate of RMB76.50 million (equivalent to US\$11.34 million) or 85% of the subscription amount committed by the Fund. In addition, through the end of June 2019, the Fund received partial returns of capital from Iflytek Venture Capital in a cumulative amount of RMB19.76 million.

By the end of June 2019, Iflytek Venture Capital has made investments in twenty projects, while exiting completely from one project. During the first half of 2019, Iflytek Venture Capital completed an investment in one new project and was in the process of closing three other new investment projects. In addition, a project held by Iflytek Venture Capital completed its listing on the Shenzhen Stock Exchange in April 2019. Furthermore, one project is planned to apply for an IPO on the Shanghai Sci-Tech Board, while the listing arrangements for another project have been postponed after taking into account the general condition of the capital market in Hong Kong.

Iflytek Co., Ltd. (“Iflytek”) was established in 1999 and is headquartered in Hefei, Anhui. It was listed on the SME Board of the Shenzhen Stock Exchange in May 2008. It is a national key software enterprise dedicated to the research of intelligent speech, language technologies, and AI technologies; the development of software and chip products; the provision of speech information services; and the integration of e-government systems. During the period of November to December 2016, the Fund acquired 4.54 million A shares of Iflytek at an average price of RMB19.09 (adjusted) per share on the secondary stock market of Mainland China with an aggregate invested amount of RMB130 million (equivalent to US\$18.83 million). As of 30 June 2019, the Fund held a total of 6.81 million A shares of Iflytek, as a result of the receipt of 2.27 million new shares via a capitalisation issue from Iflytek in 2018, accounting for 0.325% of the issued share capital of Iflytek.

On 22 August 2019, Iflytek announced that its unaudited net profit for the first half of 2019 was RMB189 million, up 45.06% year-over-year. These operating results were mainly due to the company’s business exploration, sales expansion, and business growth in the fields of education, open platform, consumers, etc.

On 17 July 2019, Iflytek announced that it had completed the issuance of a total of 108 million new shares to ten designated investors at an issue price of RMB27.10 per share. The funds raised amounted to RMB2.93 billion, which were mainly used in the business development of the company and the replenishment of working capital.

Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP (the “Jiangmen Ventures Fund”) was established in Ningbo, Zhejiang in September 2016, with an investment horizon of 5 to 7 years and with a total fund subscription amount of RMB410 million (presently, the paid-in capital amounted to RMB242.5 million). Its major investment targets are chiefly early-stage business ventures related to machine intelligence, Internet of Things (IoT), natural user interface, and enterprise computing. The general partner and investment manager of the Jiangmen Ventures Fund is Jiangmen Capital Management (Beijing) Co., Ltd., which is responsible for defining and executing the investment strategy for the Jiangmen Ventures Fund, as well as for managing their operations. The Fund completed a capital contribution of RMB30 million (equivalent to US\$4.74 million) in January 2018, representing 12.37% of the paid-in capital of the Jiangmen Ventures Fund. The Fund received a partial return of capital from the Jiangmen Ventures Fund of RMB0.19 million in June 2019.

By the end of June 2019, the Jiangmen Ventures Fund has made investments in fifteen projects for a total of RMB179 million. Of these, investments amounting to RMB34 million were completed during the first half of 2019, including three new projects and a debt-equity swap of one existing convertible loan. Another three existing projects completed new rounds of financing during the first half of 2019 and their respective valuations have increased significantly, as compared to the previous round.

Beijing CAS Cambricon Technology Co., Ltd. (“Cambricon”) was established in 2016 in Beijing. The company grew out of a research and development project of the Smart Chips Research Group at the Institute of Computing Technology, Chinese Academy of Sciences, and is a high technology company that focuses on the research, development and design of AI chips. In June 2018, the Fund, via a partnership entity, invested approximately RMB38 million (equivalent to US\$5.94 million) for a 0.246% beneficial equity interest in Cambricon.

The second-generation server chip MLU270 and board card products from Cambricon were launched on 20 June 2019. In response to the AI inference tasks, MLU270 adopted the MLUv02 instruction set independently developed by Cambricon, which not only supports highly diversified AI applications such as vision, audio, natural language processing and traditional machine learning, but also integrates ample video and image decoding hardware units for visual applications. The theoretical peak performance and capacity of chip MLU270 has been increased to 4 times that of the previous generation MLU100, reaching 128TOPS (INT8). Coupled with its compatibility with both INT4 and INT16 operations, as well as its support for floating-point operations and mixed-precision operations, the chip MLU270 has demonstrated faster speed, lower power consumption and a better performance-to-price ratio.

Pony AI Inc. (“Pony AI”) was established in Silicon Valley, the United States, in December 2016 and is a research and development company that focuses on technology solutions for autonomous driving. In July 2018, the Fund invested US\$8 million for a 0.889% equity interest in Pony AI. In April 2019, the Fund exercised its anti-dilution rights and invested US\$0.61 million in Pony AI during a new round of equity financing, with the equity interest remaining unchanged after the investment. As such, the Fund has invested a total of US\$8.61 million and held a 0.889% equity interest in Pony AI as of 30 June 2019.

Pony AI is presently a leader in the field of autonomous driving technology in China. It has obtained an “Autonomous Vehicle Testing License” issued by the state government of California of the United States, as well as a “T3 Autonomous Vehicle Testing License” issued by the municipal government of Beijing. In addition, Pony AI has developed internally a comprehensive autonomous driving system and has launched its third-generation autonomous driving software and hardware system, named PonyAlpha, and released China’s first commercialised autonomous driving fleet based on that system platform. At present, the commercialised autonomous driving fleet is undergoing testing in Guangzhou, California and Beijing.

Shenzhen Geesun Intelligent Technology Co., Ltd. (“Geesun Intelligent”) was established in Shenzhen, Guangdong in 2006 and is a leading professional manufacturer of production equipment and automated production lines for lithium ion batteries and super capacitors in China. Its name was changed to Shenzhen Geesun Zhiyun Technology Co., Ltd. in April 2015 as a result of an acquisition and capital increase, and was further changed to its present name as a result of a transfer of its entire equity interest by its then controlling shareholder to CAS Investment Management Co., Ltd., then the second largest shareholder, in October 2016. The Fund invested RMB20 million (equivalent to US\$2.93 million) in May 2010. As at 30 June 2019, the Fund’s equity interest in Geesun Intelligent was diluted from 6.78% to 5.32%, subsequent to an employee share incentive scheme completed in January 2019.

In 2019, the company adhered to its business strategy, adopted the previous year, with a focus on customer restructuring. The company has been enhancing cooperation with top-tier lithium battery plants, while focusing on the research and development of next-generation thermal compound stacking machines. In the first half of 2019, Geesun Intelligent recorded a loss, though it was lower than in the same period last year. Due to a significant increase in orders received in 2019, Geesun Intelligent is currently facing tight funding and contemplating a new round of equity financing.

Jiangsu Huaer Quartz Materials Co., Ltd. (“Jiangsu Huaer”) was established in Yangzhou, Jiangsu and is principally engaged in the research and development, and production, of high purity silica crucibles. Jiangsu Huaer is a manufacturer producing silica crucibles with comprehensive specifications in China, and has the capability to produce 28-inch silica crucibles, or larger, on a vast scale. The silica crucible products are currently consumable auxiliary equipment required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solar cells and semiconductor chips. The Fund invested RMB15 million (equivalent to US\$2.23 million) in September 2010 for a 7.50% equity interest in Jiangsu Huaer.

Since a new photovoltaic policy was introduced on 31 May 2018, price subsidies for electricity have been reduced and the construction of photovoltaic power plants has slowed. As a result, the company’s customers have successively reduced production, which in turn has reduced demand for single crystalline silicon electric cells and silica crucibles. Meanwhile, due to past-due trade receivables, turnover of Jiangsu Huaer’s working capital has been slow and its financing costs have remained high, greatly affecting its normal business production and operations. It is expected that the operations of Jiangsu Huaer will not experience a turnaround and the company is now on the brink of liquidation or bankruptcy.

Hwagain Group Co., Ltd. (“Hwagain”) was formed by the merger of two paper manufacturers located in Nanning, Guangxi in 1998. It is principally engaged in the research and development, production, and sale of high quality printing paper and tissue paper. The Fund invested RMB119.99 million (equivalent to US\$19.00 million) in January 2012 for a 7.10% equity interest in Hwagain.

In the first half of 2019, faced with tightening environmental protection policies and fluctuations in the pulp and paper market — and with a goal to save energy and reduce consumption, to reduce cost and increase efficiency, as well as to raise quality — Hwagain continued to pursue high quality development of pulp and paper manufacturing, paper sales and forestry operations. During this period, the company achieved a high degree of stability in production and operations, and recorded an unaudited net profit of RMB83.00 million, down 2.65% year-over-year.

Wuhan Rixin Technology Co., Ltd. (“Wuhan Rixin”) was established in Wuhan, Hubei in 2001 and is a state-accredited high technology enterprise engaged in the design, production and installation of solar modules and Building Integrated Photovoltaic (BIPV) products, as well as in the operation, maintenance and management of solar powered electric systems. The stock of Wuhan Rixin was listed for trading on the New Third Board in February 2016. The Fund invested RMB15 million (equivalent to US\$2.20 million) in July 2009. As of 30 June 2019, the Fund held a total of 4.95 million shares in Wuhan Rixin, as a result of the receipt of 1.65 million new shares via a capitalisation issue from Wuhan Rixin in May 2019, accounting for 4.24% of the issued share capital of Wuhan Rixin.

On 29 July 2019, Wuhan Rixin announced that its unaudited net profit for the first half of 2019 was RMB6.38 million (including extraordinary items), as compared to a net loss of RMB16.23 million for the same period last year. The reversal was mainly due to the disposal of a project for a gain on sale, along with a reduction in costs and expenses during the period.

In 2019, impacted by the new photovoltaic policy introduced on 31 May 2018 and due to the cyclical nature of the industry, it is expected that Wuhan Rixin will undertake fewer projects. Currently, Wuhan Rixin is primarily striving to reduce the backlog of projects from last year for full capacity, grid-connected, photovoltaic power generation.

Guangxi Xinhua Preschool Education Investment Corporation Limited (“Xinhua Preschool Education”) was established in Nanning, Guangxi in 2014, with registered capital of RMB300 million. Xinhua Preschool Education is based in Guangxi and is dedicated to investing in the preschool education sector, as well as supplying cultural and educational products. Xinhua Preschool Education was jointly established by the Fund and Guangxi Xinhua Bookstore Group Share Corporation Limited, with stakes of 30% and 70%, respectively. In December 2014, the Fund completed the first capital contribution of RMB30 million (equivalent to US\$4.90 million), with the remaining RMB60 million of capital to be disbursed according to the development progress of Xinhua Preschool Education.

Xinhua Preschool Education sustained an unaudited net loss of RMB2.06 million for the first half of 2019, which was deeper than for the same period last year.

As the result of a new policy on preschool education introduced in November 2018, the listing of private for-profit kindergartens has been restricted and the Nanning Education Bureau has slowed the approval process for the construction of private for-profit kindergartens. Xinhua Preschool Education is actively responding to the new policy by adjusting its strategies and adopting a greater focus on the stability of operations, pursuant to which sizable new developments will be considered only when there is more certainty in the industry with respect to the outlook for preschool education. Currently, Xinhua Kindergarten in Hanlin Yujing, Nanning, newly established by Xinhua Preschool Education, has begun trial operations, and preparatory work for Xinhua Kindergarten in Xingbin District, Laibin and Xinhua Kindergarten in Port District, Fangchenggang have been moving forward.

PROSPECTS

In the first half of 2019 — characterised by increasing countercyclical regulation by the Central Government, steady monetary policies designed to maintain sufficient liquidity, and proactive fiscal policies conducive to cutting taxes and fees — China's macro economy made steady progress in spite of certain downward pressure. Gross Domestic Product (GDP) for the first half of 2019, calculated with comparable prices, increased by 6.3% over the prior corresponding period. In terms of quarters, China's GDP in the second quarter of 2019 was up by 6.2% year-on-year, down 0.2 percentage point from the first quarter of 2019, which remained in line with the policy goal of 6.0%-6.5% GDP growth stated in the government work report. By taking a closer look at China's economic data, the country's larger industrial enterprises grew by 6.0% year-on-year, down 0.5 percentage point from the first quarter of 2019. In terms of investment, fixed asset investments (excluding rural households) increased by 5.8% year-on-year, down 0.5 percentage point from the first quarter of 2019. In terms of consumption, total retail sales of consumer goods were up by 8.4% in aggregate year-on-year, continuing the slowing trend since mid-2017, despite being up 0.1 percentage point over the first quarter of 2019. In terms of international trade, gross import and export volume of goods increased by 3.9% year-on-year, up 0.2 percentage point over the first quarter of 2019. Given that China's economic restructuring is in a critical period, it is expected that the operating results of the investment projects (mainly operating in China) held by the Fund will be impacted to a certain degree.

Looking ahead to the second half of 2019, there is growing evidence of downward pressure in the global economy, along with a greater risk of disruptions caused by political factors, trade protectionism, unilateralism and geopolitical crisis, any of which could cause instability in global economic growth. The uncertainties both from a trade war as well as global demand may lead to downward pressure on the China's economy overall, but it is possible that the annual economic growth rate in China will be no less than 6.4%. As a result of supply-side structural reforms, the fine-tuning of economic structures has increased the resilience of the China's economy. In the second half of 2019, it is expected that levels of investment will continue to be strong in the real estate sector, and may increase slightly in the infrastructure sector, but will continue to be sluggish in the manufacturing sector. However, excluding pricing factors, the actual growth of fixed asset investments should remain strong. Exports will maintain a surplus despite a slowdown in growth. And consumer consumption is expected to see improvement with the help of tax cuts policy. Given that China's economy shows both resilience and great potential, its long-term economic outlook for prosperity has not changed and the potential for investment demand remains strong. As an example, the AI industry and new-type infrastructure construction will continue to receive greater support from government policies, as well as more attention from capital markets. With the advent of the big data era, along with improvements in algorithms and enhancements in the accuracy of unsupervised learning, AI may enter a period of rapid growth in which "big data + AI" will profoundly change the structure of traditional industries. It is here that the Fund will continue to seek out the best opportunities for investment.

In this environment, where challenges and opportunities co-exist, the Fund will continue to make every effort to identify new investment projects, and our investment focus will be on the financial industry with an emphasis on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with an emphasis on culture and tourism, and on great healthcare industry with an emphasis on medicine and healthcare, as we seek to optimise our mix of investments in order to create greater shareholder value.

SUB-PARTICIPATION SCHEME

In order to strengthen the investment management process, and to align the interests of management and staff with the interests of the Fund in entering new investment projects, the Investment Manager, with the consent of the Fund, has administered the sub-participation scheme (the "**Scheme**") since 2009.

Under the Scheme, the Fund has entered into sub-participation agreements (the "**Agreements**") with certain Directors of the Fund, certain Directors and employees of the Investment Manager, and persons nominated by shareholders of the Investment Manager (collectively the "**Participants**"), with respect to new investments made by the Fund beginning in 2009. Pursuant to the Agreements, the Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Fund's investment in the project company that is proportional to the amount provided by the Participants to the Fund as a percentage of the total Fund's investment in the project company. If the Fund suffers a loss from its investment in the project company, the Participants will correspondingly share a loss in the amount they provided to the Fund on a pro rata basis. The Agreements will terminate upon either the realisation of the investment in the project company by the Fund, or upon the Investment Manager, who provides a guarantee to the Participants for the performance of the Fund's obligations under the Agreements, ceasing to be investment manager of the Fund. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Fund's interest in the project company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the project company held by the Fund as of 90 days prior to the termination date of the Agreements. The value of the equity interest in the project company will be assessed by an independent valuer appointed jointly by the Fund and the Investment Manager. In addition, the costs and expenses incurred for the preparation and execution of the Agreements, the costs incidental to the implementation of the Scheme, and the relevant portion of the identifiable costs related to the Fund's investment in the project company that corresponds to the amount provided by the Participants to the Fund under the Agreements will be borne by the Investment Manager.

Under the Scheme, it was originally determined that the aggregate amount provided by the Participants in each of the Fund's new investment projects should not exceed 2% of the Fund's investment in each project (the "**Ceiling of Relative Proportion**"). In order to further strengthen the investment management process, with the consent of the Fund and starting from 26 August 2011, the Ceiling of Relative Proportion for each of the Fund's new investment projects is revised as follows: 1) for projects with an investment amount of RMB30 million or less, the Ceiling of Relative Proportion will be 5%; 2) for projects with an investment amount of more than RMB30 million and up to RMB100 million, the Ceiling of Relative Proportion will be RMB1.50 million or 2%, whichever is higher; and 3) for projects with an investment amount of more than RMB100 million, the Ceiling of Relative Proportion will be 2%.

As of 30 June 2019, details of aggregate amounts actually provided by the Participants and their relative proportion to the investment amounts actually paid by the Fund were as follows:

Name of projects	Original investment amount of the Fund <i>US\$*</i>	Original amounts actually paid by the Participants <i>US\$*</i>	Relative proportion
Unibank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Intelligent	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jiangsu Huaer	2,226,200	43,800	1.966%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Liaoning Zhenlong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%
Hwagain	19,004,900	161,100	0.847%
China Media Investment (3rd installment capital contribution)	1,075,300	6,200	0.575%
China Media Investment (4th installment capital contribution)	4,566,600	26,300	0.577%
Chengtian	4,733,300	74,100	1.566%
China Media Investment (5th installment capital contribution)	484,900	2,800	0.580%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%
China Media Investment (7th installment capital contribution)	3,352,500	18,900	0.562%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%
Xinhua Preschool Education (1st installment capital contribution)	4,898,200	28,400	0.580%
Oriental Pearl	19,619,100	255,510	1.302%
JIC Leasing	38,781,800	65,810	0.170%
China Re	19,308,300	41,290	0.214%
Jinlanmei Travel (1st installment capital contribution)	1,489,000	14,180	0.952%
Iflytek	18,827,500	33,500	0.178%
Iflytek Venture Capital (1st installment capital contribution)	5,193,900	9,270	0.178%

Name of projects	Original investment amount of the Fund <i>US\$*</i>	Original amounts actually paid by the Participants <i>US\$*</i>	Relative proportion
Rong Bao Zhai Culture (1st installment capital contribution)	28,855,000	86,790	0.301%
Rong Bao Zhai Culture (2nd installment capital contribution)	14,505,400	43,240	0.298%
Iflytek Venture Capital (2nd installment capital contribution)	2,008,800	3,480	0.178%
Qinghai Lake Tourism (1st installment capital contribution)	7,502,800	9,590	0.128%
Qinghai Lake Tourism (2nd installment capital contribution)	22,927,700	28,800	0.126%
Iflytek Venture Capital (3rd installment capital contribution)	2,146,800	3,480	0.178%
The Jiangmen Ventures Fund	4,741,800	20,470	0.432%
Cambricon	5,940,100	90,480	1.523%
Pony AI (1st round capital injection)	8,000,000	35,680	0.446%
Iflytek Venture Capital (4th installment capital contribution)	1,991,910	3,480	0.178%
Pony AI (2nd round capital injection)	607,270	10,200	1.680%

* Calculated with prevalent exchange rates at the time of the amounts paid

In addition, as of 30 June 2019, details of the amounts actually paid by some of the Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

Name of projects	Mr. ZHANG Rizhong (Note 1) <i>US\$</i>	Mr. WANG Xiaoding (Note 2) <i>US\$</i>	Mr. TSE Yue Kit (Note 3) <i>US\$</i>	Mr. LAW Hung Kuen, Janson (Note 4) <i>US\$</i>
Unibank Media (1st round capital injection)	N/A	20,640	1,290	N/A
Wuhan Rixin	N/A	3,510	1,290	N/A
Unibank Media (2nd round capital injection)	N/A	6,950	1,290	N/A
China Media Management	N/A	1,160	30	N/A
Geesun Intelligent	N/A	5,780	1,290	N/A
China Media Investment (1st installment capital contribution)	N/A	10,040	250	N/A
Jiangsu Huaer	N/A	4,380	1,290	N/A
Jinpower Electrical	N/A	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	N/A	1,570	40	N/A
Liaoning Zhenlong	N/A	4,620	1,280	N/A
NTong	N/A	12,830	1,280	N/A
Hwagain	N/A	12,880	1,290	N/A
China Media Investment (3rd installment capital contribution)	N/A	1,710	40	N/A
China Media Investment (4th installment capital contribution)	N/A	7,260	180	N/A
Chengtian	N/A	6,440	1,290	N/A
China Media Investment (5th installment capital contribution)	N/A	780	20	N/A
China Media Investment (6th installment capital contribution)	N/A	8,880	220	N/A
China Media Investment (7th installment capital contribution)	N/A	5,200	130	N/A
China Media Investment (8th installment capital contribution)	N/A	3,170	80	N/A
China Media Investment (9th installment capital contribution)	N/A	1,330	30	N/A
Xinhua Preschool Education (1st installment capital contribution)	N/A	4,310	440	N/A
Oriental Pearl	N/A	38,870	1,390	N/A
JIC Leasing	N/A	12,900	1,290	N/A
China Re	N/A	12,900	1,290	1,290
Jinlanmei Travel (1st installment capital contribution)	N/A	3,220	640	640

Name of projects	Mr. ZHANG Rizhong (Note 1) US\$	Mr. WANG Xiaoding (Note 2) US\$	Mr. TSE Yue Kit (Note 3) US\$	Mr. LAW Hung Kuen, Janson (Note 4) US\$
Iflytek	N/A	12,890	1,290	1,290
Iflytek Venture Capital (1st installment capital contribution)	N/A	6,440	1,290	1,290
Rong Bao Zhai Culture (1st installment capital contribution)	N/A	8,590	860	860
Rong Bao Zhai Culture (2nd installment capital contribution)	N/A	4,290	420	420
Iflytek Venture Capital (2nd installment capital contribution)	N/A	970	190	190
Qinghai Lake Tourism (1st installment capital contribution)	640	3,200	320	320
Qinghai Lake Tourism (2nd installment capital contribution)	1,920	9,600	960	960
Iflytek Venture Capital (3rd installment capital contribution)	N/A	970	190	190
The Jiangmen Ventures Fund	1,280	3,840	1,280	1,280
Cambricon	6,370	22,940	1,270	1,270
Pony AI (1st round capital injection)	1,270	6,370	1,270	2,550
Iflytek Venture Capital (4th installment capital contribution)	N/A	970	190	190
Pony AI (2nd round capital injection)	1,280	1,280	1,280	1,280

Note 1: Director of the Fund and Chairman of the Investment Manager

Note 2: Director of the Fund and Director & General Manager of the Investment Manager

Note 3: Director of the Fund and Director of the Investment Manager

Note 4: Director of the Investment Manager

Mr. WANG Xiaoding

Director & General Manager

China Merchants China Investment Management Limited

Hong Kong, 30 August 2019

INTERIM DIVIDEND

The Directors have resolved not to declare an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: special interim dividend of US\$0.05 per share).

A dividend payment of US\$18,279,962 (2017: US\$9,139,981), being a final dividend of US\$0.07 per share (2017: US\$0.06) and a special dividend of US\$0.05 per share (2017: Nil), totaling US\$0.12 per share (2017: US\$0.06), for the year ended 31 December 2018 was approved by the shareholders on 28 May 2019 and was subsequently paid by the Company in cash on 25 July 2019.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2019, the interests of the Directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Number of ordinary shares interested	Capacity	Percentage of total issued shares
Mr. CHU Lap Lik, Victor	3,030,024	Interest of controlled corporation	1.99%

Save as disclosed above, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 30 June 2019, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the six months ended 30 June 2019.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the following persons, other than a Director or chief executives of the Company, had interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name of shareholder	Long/short position	Capacity	Number of ordinary shares interested	Percentage of total issued shares
China Merchants Group Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Financial Services Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
Good Image Limited	Long position	Beneficial owner	42,022,041	27.59%
Lazard Asset Management LLC	Long position	Investment manager	27,564,206	18.09%

Note 1: China Merchants Holdings (Hong Kong) Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 99.34%) in the company whose name is set out immediately under it.

Note 2: China Merchants Group Limited, China Merchants Finance Holdings Company Limited and China Merchants Financial Services Limited are deemed to have corporate interests in the shares by virtue of its entire shareholding in the company whose name is set out immediately under it.

Note 3: China Merchants Steam Navigation Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 89.45%) in the company whose name is set out immediately under it.

Save as disclosed above, there was no person, other than a Director or chief executives of the Company, who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

The condensed consolidated financial statements are unaudited, but have been reviewed by Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, whose independent review report is included in this interim report. The interim report has been reviewed by the Company's Audit Committee.

The Company has complied with all the code provisions of Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the reporting period except as stated below:

The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted codes of conduct regarding securities transactions by Directors set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. On specific enquiries made, all Directors have confirmed that, in respect of the reporting period, they have complied with the required standard set out in the Model Code regarding Directors' securities transactions.

By Order of the Board

Mr. ZHANG Jian

Chairman

Hong Kong, 30 August 2019